

## Template: Monte Carlo Simulation Trading Strategy Evaluation Checklist

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Based on Article: "Case Studies: Successful Trading Strategies Evaluated with Monte Carlo Simulations"  
Website: <https://nairafx.ng>

A practical checklist for traders to evaluate their trading strategies using Monte Carlo simulations, ensuring robustness against real-world trading conditions.

### Checklist Items:

- ☐ **1. Conduct Initial Backtest**  
Perform a backtest of your trading strategy using historical data to assess its potential profitability and win rate.  
Reference Section: Three Trading Strategies, One Safer Evaluation Question
- ☐ **2. Assess Equity Curve**  
Analyze the equity curve from your backtest to identify the trend and consistency of returns.  
Reference Section: Three Trading Strategies, One Safer Evaluation Question
- ☐ **3. Randomize Trade Order**  
Utilize Monte Carlo simulations to randomize the order of your trades and examine how the strategy performs under different sequences.  
Reference Section: Case Study One: A Smooth Trend-Following Strategy Meets Randomized Trade Order
- ☐ **4. Evaluate Execution Scenarios**  
Test your strategy under various execution environments, considering factors like spread, slippage, and commissions to gauge realistic performance.  
Reference Section: Case Study Two: The Breakout Strategy That Needed Cost and Slippage Stress
- ☐ **5. Implement Fixed Risk Management**  
Adjust your trade sizing to maintain a consistent risk level per trade, ensuring you do not overexpose your account.  
Reference Section: Case Study Three: A Signal-Led Strategy That Failed the Risk-Rule Test
- ☐ **6. Analyze Worst-Case Drawdown**  
Focus on the worst-case drawdown results from the Monte Carlo simulations rather than average performance metrics to understand potential risks.  
Reference Section: How to Read the Results Without Calling Every Profitable Strategy Safe
- ☐ **7. Identify Key Signals**  
Look for key signals such as drawdown depth and recovery time in the reshuffled outcomes to evaluate the robustness of your strategy.  
Reference Section: How to Read the Results Without Calling Every Profitable Strategy Safe
- ☐ **8. Review Strategy Viability**  
Decide whether your strategy is viable for live trading based on its performance across randomized sequences and under different market conditions.  
Reference Section: Building a Reproducible Monte Carlo Review